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CIA/RR MP 226

SOUTH SALES OF ALIMIEN AND COURS METALS IN CRITICAL MARKET

From to 1955, ceither the UKES nor the other Bloc countries sold aluminum outside the Bloc. In 1955, the UKES exported 5,000 metric tons to Heatern Europe and in 1956, 19,000 metric tons. On the basis of preliminary data, Soviet exports to Dectern Europe totaled at Least 24,000 metric tons in 1957, of which approximately 15,000 metric tons used to the United Kingdom. Solves below aluminum sales to the United Kingdom in 1957, at prices bulsw those charged by Free World producers, have given rise to the question as to whether the UKES is damping aluminum and other metals in order to disrupt Wootern sarkets.

The evidence does not support the interpretation that the covicte have deliberately enhanced upon a company to discrepance Sentern metal markets. Pather, efforts to sell aluminum and other Covict metals in Western Europe are being intensified in order to sequire the foreign enchange to pay for inpurts from this area. The metals sold in Western markets have been largely those which the USES possesses in apple quantities. Preliminary data show that the USES imported goods valued at more than \$650 million from Seatern Europe in 1557, an increase of meanly \$35 million over 1556, and \$255 million over 1955.

Preditionally, such Soviet imports have been paid for primarily by males of grain, magazone, timber and gold. Soviet gold sales

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contains denoted to (26) million in 1957 compared to 2150 million in 1956.

Locating denoted commer spoils or machinery that sould find prompt succeptance in the highly indestrialized countries, the fowlets have been turning increesingly to exports of petroleum and metals, including aluminum, tin, pig iron, manganese ore, and ferroalloys, to believe their imports. It is impossible to say mether these sectors have been sold at prices below the cost of production.

wher sorred series conditions, buyers of notals purchase abovet exclusively on the backs of price. Shen all sellors, including the Giff, are charging the man price, Iree world begons will almost certainly present free both sugaints, for a variety of resound. the Will, recognizing these facts, has tallored its pricing policy accordingly. When metals were in short supply, the limited covict exports were add at preside prices. For example, in 1995 the The received 3606.00 a ten for alredmen in the Guited Kingfore se compared with \$527.00 a ton charged by the Alestician Company of Casada. At the present time, with most notals in surplus supply, somet conscretal strategy would dictate that the Sevieta offer timic aliminum below the prices charged by Free Sprid suppliers, If they are to call aluminum at all. As a case in point, Soviet alumbians was sold at \$500.00 a tom in 1957, compared with \$531.00 a loss for the Counties product, a cut of about 5 percent under the Canadian price. In short, it seems most probable that the

conditionations of increased porior imports from Mastern Surque and Occasional Free world desend for metals, particularly is the U.S., are the basic causes of the present priories priories.

Finally, Soviet exports will probably continue to increase in the near future unless there is a reversal of their present policy to increase imports from the west. The trend in net exports of motal over the past years has been spaced; forfet their comparise of metals and petroless to rectant flures assumed to play million to 1997, compared to 1190 million to 1993. (These data cover aluminas, tin, pig iron, ferrualitys, sinc, sold and potentions.) This trend will be reinforced by the continues growth in the production of industrial caterials in the 1988x. In 1997 the Chest produced 32 million metato to tone of stock, 37 million metric tons of pig from and 550 thousand matrix tons of aliminus, bolding second place in the world in the production of steel and the large and third in the production of electron. has prices charged all probably depend upon the conditions prevailing in From World markets -- preside prices than supplies are more, oning market prices or allottly chaded prices when amplies are in resoundle believe with desert, and below tended prices the suplies exceed the decad.

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SOVIET SALES OF ALIMINA AND OTHER METALS IN VESTERN MARKETS

aluminum cutside the Bloc. In 1955, the USSR exported 5,000 metric tons to Western Europe and in 1956, 19,000 metric tons. On the basis of preliminary data, Soviet exports to Western Europe totaled at least 24,000 metric tons in 1957, of which approximately 15,000 metric tons went to the United Kingdom. The heavy aluminum sales totthe United Kingdom in 1957, at prices below those charged by Free World producers, have given rise to the question as to whether the USSR is dumping aluminum and other metals in order to disrupt Western markets.

The evidence does not support the interpretation that the Soviets have deliberately embarked upon a campaign to disorganize Western metal markets. Rather, efforts to sell aluminum and other Soviet metals in Western Europe are being intensified in order to acquire the foreign exchange to pay for imports from this area. Also, the metals sold in Western markets have been largely those which the USSR possesses in ample quantities. Preliminary data show that the USSR imported goods valued at more than \$650 million from Western Europe in 1957, an increase of mearly \$35 million over 1956, and \$225 million over 1955.

Fraditionally, such Soviet imports have been paid for primarily by sales of grain, manganese, timber and gold. Soviet gold sales amounted to \$263 million in 1957 compared to \$150 million in 1956. Lacking durable consumer goods or machinery that would find general acceptance in the highly industrialized countries, the Soviets have been increasingly turning

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to exports of petroleum and metals, including aluminum, tin, pig iron, manganese ore, and ferroalloys, to balance their imports. It is impossible to say whether these metals have been sold at prices below the cost of production.

Under normal market conditions, users of metals buy almost exclusively on the basis of price. When all sellers, including the USSR, are charging the same price, Free World users will almost certainly prefer Free World suppliers, for a variety of reasons. The USSR, recognizing these facts, has tailored its pricing policy accordingly. When metals were in short supply, the limited Soviet exports were sold at premium prices. For example, in 1955 the USSR received \$606.00 a ton for aluminum in the United Kingdom as compared with \$527.00 a ton charged by the Aluminium Company of Canada. At the present time, with most metals in surplus supply, normal commercial strategy would dictate that the Soviets offer their aluminum below the prices charged by Free World suppliers, if they are to sell aluminum at all. As a case in point, Soviet aluminum was sold at \$504.00 a ton in 1957, compared with \$531.00 a ton for the Canadian product, a cut of about 5 percent under the Canadian price. In short, it seems most probable that the combination of increased Soviet imports from Western Europe and decreased Free World demand for metals, particularly in the U.S., are the basic causes of the present Soviet pricing practices in Western European markets.

Finally, Soviet exports will probably continue to increase in the near future unless there is a reversal of their present policy to increase imports from the West. The trend in net exports over the past years has been upward; USSR net exports of metals and petroleum to Western Europe

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mounted to \$430 million in 1957, compared to \$190 million in 1953.

These data cover aluminum, tin, pig iron, ferroalloys, zinc, gold, and petroleum. This tendency will be reinforced by the continued growth in the production of industrial materials in the USSR. In 1957 the USSR produced 51 million metric tons of steel, 37 million metric tons of pig iron and 550 thousand metric tons of aluminum, holding second place in the world in the production of steel and pig iron and third in the production of aluminum. The prices charged will probably depend upon the conditions prevailing in Free World markets -- premium prices when supplies are short, going market prices or slightly shaded prices when supplies are in reasonable balance with demand, and below market prices when supplies exceed the demand.